

Service Date: February 21, 2001

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

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IN THE MATTER OF ENERGY WEST )  
MONTANA, A DIVISION OF ENERGY )  
WEST, INC. Application for an Increase in )  
Natural Gas Rates Pursuant to its Gas Cost )  
Tracking Mechanism )

UTILITY DIVISION  
DOCKET NO. D2000.10.176  
ORDER NO. 6305b

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AMENDED INTERIM ORDER

FINDINGS OF FACT

1. On December 4, 2000, the Montana Public Service Commission (PSC or Commission) approved an interim increase, effective December 11, 2000, for Energy West Montana's (EWM or company) natural gas service. The approved increase amounts to approximately a \$6.5 million increase in EWM's annual revenues and has resulted in an approximate 29.8% increase in rates to EWM's Great Falls customers and an approximate 22.5% increase for EWM's West Yellowstone customers.

2. On February 2, 2001, EWM filed an amendment its initial application in this proceeding to include an additional increase in annual revenues of approximately \$8.9 million. EWM states it needs immediate implementation of a rate change to reflect current gas costs, as well as to reflect current unrecovered gas cost balances. EWM states that, since its initial application, it has been faced with purchased gas costs that far exceed the gas costs that were projected in the original filing. The per unit gas costs, according to EWM, prior to filing were \$1.42 per mcf and the tracker rate included in that filing was \$3.67 per mcf. The actual gas costs experienced since the initial filing have averaged from \$4.66, July through November, to \$4.80 and \$8.19, in December and January, respectively. EWM projects its costs for the twelve months beginning February 2001 at \$5.57 per mcf.

3. EWM and the Montana Consumer Counsel (MCC) have signed a Stipulation agreeing that an immediate rate adjustment is necessary to prevent the unrecovered balance from growing to a level that would create rate shock for consumers, which could create serious erosion of EWM's financial condition, and to provide current pricing signals to consumers.

4. The Commission agrees that immediate relief has been demonstrated by EWM and steps must be taken to enable EWM to maintain its financial stability. The Commission is also in agreement that proper price signals should be provided to the customers of EWM. Natural gas prices have risen dramatically and consumers should properly understand the need to conserve.

5. The Commission hereby accepts the Stipulation between EWM and MCC and finds that a monthly gas cost tracker (see Attachment A as amended) and a one-year amortization of the January unreflected gas cost balance of \$7,748,268, combined with the look-forward gas cost projection of \$5.57 are the appropriate options in this case. This will result in an increase in current rates of 32% in Great Falls and an increase of 16.5% in West Yellowstone. In accordance with the Company's approved gas cost tracking mechanism, the amount of annual revenue to be collected is \$8,970,158, which represents an increase of \$8,791,715 in Great Falls and \$178,443 in West Yellowstone.

6. The number of customers impacted by this increase by class and change in annual bill are shown below:

#### **SINGLE YEAR RECOVERY**

<b>Class</b>	<b>Number of Customers</b>	<b>Current Average Bill</b>	<b>Proposed Average Bill</b>	<b>Proposed Annual Increase</b>	<b>% Increase</b>
Great Falls Residential	21,238	\$797	\$1,065	\$268	33.6%
Residential DT	982	\$420	\$436	\$16	3.9%
Small General	1,648	\$1,535	\$2,030	\$495	32.3%
Small General DT	76	\$839	\$869	\$30	3.6%
Large General	590	\$10,591	\$14,192	\$3,601	34.0%
Large General DT	130	\$5,531	\$5,748	\$218	3.9%
Extended General	2	\$103,234	\$138,752	\$35,517	34.4%
Extended General DT	20	\$53,317	\$55,463	\$2,147	4.0%
West Yellowstone Residential	347	\$872	\$991	\$120	13.7%
Commercial	70	\$11,315	\$13,270	\$1,956	17.3%

### CONCLUSIONS OF LAW

1. EWM offers regulated natural gas service in the state of Montana and is a public utility, § 69-3-102 MCA.
2. The PSC properly exercises jurisdiction over EWM's Montana operations pursuant to Title 69, Chapter 3, MCA.
3. The rates approved herein are a reasonable means of providing interim relief to EWM.
4. The Commission may approve an increase or decrease in rates on an interim basis, pending a hearing on the merits (§ 69-3-304 MCA).

### ORDER

1. EWM is hereby authorized to increase rates on an interim basis for natural gas service sufficient to produce an additional \$8,970,158 in annual revenues.
  2. EWM is hereby authorized to implement a monthly gas cost tracker.
  3. EWM must file tariffs in compliance with the Findings of Fact in the Interim Order.
  4. Interim approval of any matters in this Docket should not be viewed as a final endorsement by the Commission of any issues, calculations, or methodologies approved in this Interim Order.
  5. A Public Hearing may be held in the future to allow parties the option of pursuing items of interest to them.
  6. Any refunds shall include interest calculated at EWM's return on equity.
  7. Rates which implement the increases approved in this Interim Order will become effective for services rendered on and after March 1, 2001.
- DONE AND DATED at Helena, this 20<sup>th</sup> day of February, 2001, by a vote of 5 to 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

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GARY FELAND, Chairman

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JAY STOVALL, Vice Chairman

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BOB ANDERSON, Commissioner

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MATT BRAINARD, Commissioner

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BOB ROWE, Commissioner

ATTEST:

Rhonda J. Simmons  
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.

## Attachment A

### Monthly Gas Cost Recovery Mechanism

#### 1. Applicability:

This rate schedule sets forth the procedure to be used in calculating gas cost tracking adjustments. It specifies that the procedure to be utilized to adjust the rates for gas sold under Energy West Montana's (EWM's or EWM) rate schedule in the state of Montana in order to reflect: (a) changes in the EWM Expected Cost of Gas which is defined to mean the first of the month AECO index price for Great Falls volumes and the CIG index price for West Yellowstone volumes published in the Canadian Gas Reporter (or equivalent publication recognized in the industry as a market clearing price) plus the estimated cost of transportation to the Montana Power Company pipeline system in Montana for Great Falls customers; and (b) amortization of the Unrecovered Purchased Gas Costs account which is defined to mean the gas costs that have been incurred by EWM but not recovered through charges to EWM's customers.

#### 2. Effective Date and Limitation on Adjustments:

- (a) Unless otherwise ordered by the Commission, the effective dates of the gas cost tracking adjustment shall be services rendered on and after the first day of each month. The effective date of the adjustment for amortization of the Unrecovered Purchased Gas Cost account shall be July 1 of each year.
- (b) EWM may file an adjustment to reflect changes in its average cost of gas supply only when the adjustment is at least 10 (ten) cents per mcf. The tracking adjustment to be effective July 1 of each year shall be filed each year regardless of the amount of the change in costs.

#### 3. Minimum Filing Requirements:

EWM's filing to implement the Gas Cost Tracking Adjustment effective July 1 of each year shall include the following:

- (a) Billing determinants by month by supply source with annual totals;
- (b) Rates applicable to those billing determinants;
- (c) Purchased gas costs by month by supply source, with annual totals;
- (d) Total EWM sales by major customer class by month with annual totals;
- (e) EWM's Expected Costs of Gas.

#### 4. Gas Cost Tracking Adjustment:

- (a) The monthly Expected Cost of Gas tracking adjustment shall reflect changes in EWM's cost of gas supply as compared to the cost of gas supply contained in EWM's annual filing for Unrecovered Purchased Gas Costs.
- (b) Such costs are inclusive of all costs incurred in obtaining and transporting natural gas. The cost of gas supply shall include all charges incurred by EWM for gas supply and transportation services. Any extraordinary costs, such as penalty charges and take-or-pay charges, shall be clearly identified as such and separately described.

(b) The Gas Cost Tracking Adjustment: shall be computed as follows:

- (1) Demand costs shall include all annual gathering, transportation demand charges at current rates.
- (2) Storage costs shall include all annual storage charges at current rates.
- (3) The gas commodity costs shall reflect the Expected Cost of Gas for the month. The filing shall be made by the 10th of the month proceeding the month in which the filing cost of gas should be applied.